

2006

ALASKA HOUSING FINANCE CORPORATION



AN UPDATE ON YOUR CORPORATION

REPORT TO ALASKANS

FIFTEEN-YEAR EFFORT EXPANDS ALASKA'S VETERANS MORTGAGE PROGRAM

More Alaska veterans now qualify for the Veterans Mortgage Program (VMP), thanks to a provision in the tax reconciliation act signed into law by President Bush in May. The program, which is administered by AHFC, offers Alaska's eligible veterans low-interest rate home loans using federal tax-exempt bond proceeds, approved by state voters.

The VMP had been limited to veterans who entered active duty service prior to January 1, 1977, and who applied for a veterans' loan within 30 years of their discharge. Naturally, the number of eligible veterans had decreased dramatically in recent years.

Persuading Congress and the Administration to drop the pre-1977 requirement has been a priority for AHFC for the past 15 years, according to CEO/Executive Director Dan Fauske. "This restriction was unfair to the men and women who have served their country since the end of the Vietnam War."

Under the new law, the pre-1977 requirement is eliminated. However, veterans must now apply for a mortgage within 25 years of discharge. The program may not be used to refinance an existing mortgage loan.



VETERANS

HAVE SERVED THEIR COUNTRY. NEW LOAN PROGRAM PROVISIONS MEAN AHFC CAN BETTER SERVE THEM.

AHFC, YOUR ASSET

Each year this Report brings the reminder that the Alaska Housing Finance Corporation is your asset. And we are always excited to bring news of the past year's accomplishments.

You may not have been in the market for home financing or affordable housing to own or rent; but as you read, we're sure you'll discover our paths have crossed in some way. Maybe you observed construction of teacher housing that helped recruitment for your school district or the excitement of seeing an Anchorage landmark restored with a new sense of purpose. Perhaps you met us at a community home show or the fairgrounds, or at one of our free public forums on practical house-related issues such as how to avoid ice build-up on roofs or improve interior air quality. Maybe a friend recommended our *HomeChoice* class to learn the ins and outs of buying a home. Whatever the occasion, your AHFC was at work for you.

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REDUCING HOMELESSNESS IN ALASKA

In October of 2005, the Alaska Interagency Council on Homeless, chaired by AHFC CEO/Executive Director Dan Fauske, submitted its final report – ***Keeping Alaskans Out of the Cold*** – to Governor Murkowski. The report made five specific recommendations to address homelessness:

- Support programs that assist low-income families to preserve, maintain and weatherize existing housing;
- Expand renter education programs;
- Create a working group to identify policies and procedures that would provide individuals a well-coordinated transition from institutionalization to independent living;
- Increase the inventory of affordable housing statewide;
- Appoint a steering committee to assist the Governor and Legislature to establish an affordable housing trust that would help the state fund programs to increase the inventory of affordable housing.

In February, the Governor appointed a number of individuals, including Fauske, to the Governor’s Housing Trust Steering Committee to begin the process of implementing the Council’s recommendations. The Governor requested that no new government agency be created; but, if necessary, AHFC’s mission be expanded so it could fully serve those needing assistance in securing housing. He also asked the steering committee to identify the anticipated results of its proposals to assist more and different clientele than are currently being served, and the measures that would determine success.

Governor Murkowski also increased to \$1.5 million from \$500,000 the funding for AHFC’s annual homeless grant program that is allocated to various providers around the state. AHFC anticipates that about 3,000 individuals will be able to avoid a housing crisis this year as a result of the authority to provide the additional grant money statewide.

“HENRY HOUSE”—HOUSING FOR MENTALLY CHALLENGED ALASKANS

The “Henry House” which opened in May, provides secure, safe, drug- and alcohol-free monitored housing for up to 66 mentally challenged individuals in Anchorage—a population identified as particularly vulnerable in the *Keeping Alaskans Out of the Cold* report. The Henry House project was funded through an AHFC \$1,435,600 loan to Robert and Julia Henry to purchase the Alaska Budget Hotel located at 545 E. 4th Avenue in Anchorage and to convert it to congregate (group) housing.

The Henrys had previously owned and operated an 18-bed congregate living facility in Anchorage. That property was sold and the residents relocated to the new facility. “We make it a home setting. With seven children raised and off to college, we were looking for others who needed us,” Julia said.

Henry House has 28 rooms, along with game and recreation areas. Residents are provided a daily dinner and have access to a common kitchen area where they can prepare their other meals.



MORE THAN 3,000 ALASKA CHILDREN WERE HOMELESS OR IN INADEQUATE HOUSING DURING THE SCHOOL TERM.

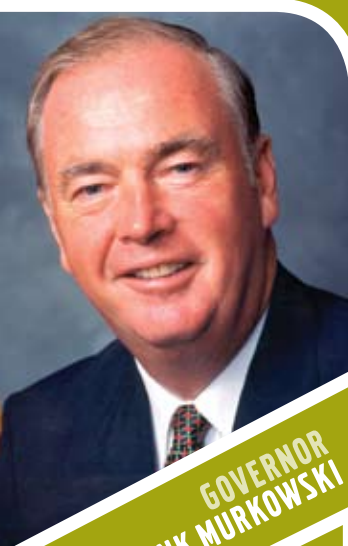
A STAY AT ALASKA PSYCHIATRIC INSTITUTE COSTS \$732 PER DAY; INCARCERATION COSTS \$111 A DAY; BY CONTRAST, A SUPPORTIVE HOUSING PROGRAM COSTS \$70 PER DAY.

— KEEPING ALASKANS OUT OF THE COLD, STATE OF ALASKA REPORT TO GOVERNOR FRANK MURKOWSKI, RECOMMENDED STRATEGIES TO ADDRESS HOMELESSNESS, OCTOBER 2005.

CONGREGATE

HOUSING IS JUST ONE OF ALASKA'S HOUSING NEEDS BEING MET BY AHFC'S LOAN PROGRAMS.

THIS YEAR, YOUR CORPORATION...



GOVERNOR FRANK MURKOWSKI

- Helped nearly 2,250 Alaskans purchase or refinance homes with \$411 million in loans. Of that amount, \$201.5 million went to 1,218 first-time home buyers.
- Provided \$32.6 million in AHFC multi-family loan financing. Since 1991, AHFC has provided \$612.6 million in competitive loans, many combined with grants and tax credits, to assist developers in building and/or upgrading more than 12,000 units of rental housing in 36 communities throughout the state.
- Used AHFC funds and \$2.2 million from the Denali Commission to award \$7.2 million in grants and federal tax credits to produce 257 rental housing units under the Low-Income Housing Tax Credit Program, Senior Citizens Housing Development Fund and HOME programs.
- Completed weatherization upgrades on 650 homes, benefiting 1,750 individuals, including 299 elderly and disabled households and 219 children under 6 years of age.

GOVERNOR'S MESSAGE

Alaska Housing Finance Corporation is one of the agencies of state government that does its work quietly and effectively. The Corporation’s ongoing record of accomplishment, as outlined in this report, is a credit to management and staff.

Chief Executive Officer, Dan Fauske, is the state’s expert on the subject of Alaska’s housing needs. That is why I chose him to chair my interagency council on homelessness last year. After a fairly comprehensive study, the council came up with a number of recommendations to end homelessness.

As I understand, the council is recommending creation of a state affordable housing trust. Funds from the trust would enable AHFC to expand selective services in specific regions of the state. It would be guided by a trust advisory panel, which would assess public needs. Such a mechanism is considered necessary because AHFC’s broad range of housing assistance programs is limited by the amount of available funds, which the Corporation says are not sufficient to tackle the complex problems behind homelessness.

According to CEO Dan Fauske, on any given night, about 3,000 individuals across the state are without a place to live. Elderly individuals, chronic alcoholics, and people with mental illness and developmental disabilities are among this number. The majority, tragically, are families with children.

The concept for a trust is fine; the problem is a source of funding. For the state to be able to help meet public needs for housing, or for that matter education, health care, public safety and dozens of other needs, we first must identify a reliable source of revenue.

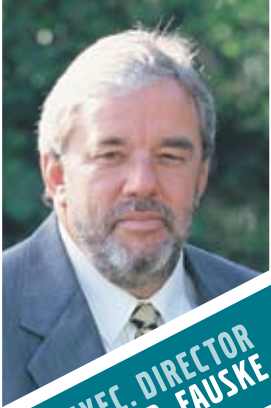
That is why I have allocated much of my time the past few years negotiating the best possible gas pipeline contract for the state. I firmly believe the gas pipeline is key to Alaska’s future.

Frank H. Murkowski

PUBLIC HOUSING GETS EXTREME MAKEOVER

WITH AN INVESTMENT OF \$8 MILLION, THE REPLACEMENT OF THE PACIFIC TERRACE LOW-INCOME HOUSING IN KODIAK IS NOW COMPLETE. AHFC, OWNER AND OPERATOR OF THE RENTAL FACILITY FOR LOW-INCOME ALASKAN FAMILIES, HELD A GRAND OPENING CEREMONY ON JULY 12.





CEO/EXEC. DIRECTOR
DANIEL R. FAUSKE

DEAR ALASKANS

This past year was another productive one for your Alaska Housing Finance Corporation. Our programs and investments enabled thousands of Alaskans to obtain affordable, safe, quality housing. For example:

- Last December and March the board of directors approved the issuance of \$250 million in tax-exempt bonds. An aggressive bond marketing strategy, along with a change in the method used to determine the daily interest rates for AHFC's tax-exempt first-time homebuyer program, is providing lower interest rates for more than 1,200 families.
- More than 100 teacher housing units have been built in 18 communities over the past three years. Twenty-three additional communities have asked to participate in the program. (Read more about the success of our rural professional housing program on this page.)
- Substantially more Alaska veterans can now qualify for lower-interest-rate mortgages under the Veterans Mortgage Program. (Story on page 1.)
- Other stories and photos on these pages tell you about the AHFC investment of more than \$11 million in upgrades to the low-income rental housing we own and operate throughout Alaska.
- AHFC has a lead role in Governor Murkowski's initiative to address homelessness in the state. (Read more about how we're addressing this complex problem on page 2.)
- Along with the \$32.6 million we financed for 36 multi-family projects statewide last year, the AHFC board approved a \$5.4 million loan for a 58-bed senior assisted-living facility to be located in what was known as the MacKay building that stood vacant for years in downtown Anchorage. (Photo on page 4.)

Be sure to check out AHFC's website at www.ahfc.us to find out more about your corporation's many programs.

Daniel R. Fauske *Frank Roppel*



AHFC BOARD CHAIR
FRANK ROPPEL

TEACHER, HEALTH PROFESSIONAL AND PUBLIC SAFETY HOUSING FOR RURAL ALASKA

Surveys conducted by AHFC and the Denali Commission identified housing as a critical issue in teacher retention. Over 900 units of teacher housing in rural Alaska are in need of repair or replacement. In response, the Alaska Legislature authorized, and Governor Murkowski endorsed, the AHFC Teacher, Health Professional, and Public Safety Housing Grant Program. The program provides gap funding for projects occupied by households headed by teachers, education personnel, health care professionals, and public safety officials. The funding fills the gap between a project's capacity to carry debt (through AHFC loan financing) and the total development cost of the project.

In 2006, AHFC funded eight applications for 39 units in nine communities. Since 2004, the program has funded the development of 110 units of teacher and health professional housing in 18 rural communities with \$10 million in AHFC corporate funds and \$9 million from the Denali Commission Rural Teacher Housing Program. AHFC's grant program is showing promise in recruiting and retaining teachers in rural Alaska. Participating school districts are reporting lower turnover rates and better recruitment efforts.

TEACHER HOUSING FOR TOGIAK



- Conducted 186 free *HomeChoice* home-buying seminars in 30 communities, attracting 3,130 Alaskans of which 75 participated in a home-study course. Successful participants saved \$245,750 in waived commitment fees.
- Provided 44 veterans with low-interest home loans totaling \$11.5 million. AHFC is one of only five states eligible to provide loans under the Veterans Mortgage Program.
- Provided rental assistance to nearly 3,500 seniors, persons with disabilities, and families under the HUD Section 8 vouchers in the 12 communities served by the program. Nearly \$28 million a year is paid to private landlords for rental assistance for Alaskans who earn less than 50 percent of the median income.
- Since 1986, AHFC has contributed nearly \$1.64 billion to Alaska's State budget revenues through cash transfers, capital projects, and debt service payments after paying all of AHFC's operating and capital expenditures. AHFC's assets now total \$5 billion.
- Provided \$13 million for 68 teachers and nurses to obtain 100 percent mortgage financing. A total of 276 teachers and nurses in 28 communities have used AHFC's Teachers and Nurses Housing Loan Program since it began in the fall of 2003.

REPORT TO ALASKANS 2006

VOUCHERS

MOST NOTABLY USED FOR RENTAL ASSISTANCE ARE PROVIDING HOME OWNERSHIP OPPORTUNITIES.



HOMEOWNERSHIP MORE FEASIBLE FOR PERSONS WITH DISABILITIES AND WORKING FAMILIES

Low-income working families are becoming homeowners under AHFC's Housing Choice Voucher (HCV) Homeownership Program. In 2005, the AHFC board of directors expanded the 2003 pilot project that enabled voucher holders who experience a permanent disability to use the Housing Choice Vouchers for mortgage payments rather than for rental assistance payments. Twenty-five voucher holders have become homeowners under this program, using their voucher subsidy to assist in making their mortgage payments.

The expanded program is open to working families currently in the HCV Program. In addition to being a tenant in good standing, applicants must complete an AHFC *HomeChoice* pre-homeownership class; qualify for a mortgage loan; provide a 3% down payment, with 1% from their own funds; and have full-time employment during the previous year.

Agencies statewide have been partnering with AHFC to make the program successful. The Municipality of Anchorage's AnCHOR program and Alaska Community Development Corporation provide participants with down-payment assistance, Anchorage and Fairbanks Neighborhood Housing Services provide counseling and down-payment assistance opportunities through the Neighborhood Reinvestment Program, and USDA Rural Housing Service provides rural Alaskans access to the Rural Housing Service leveraged-loan program and subsidized interest rate.

AHFC held a lottery in October 2005 to select the initial 13 applicants for the expanded program. The first successful home closing among the applicants was in January. In the current group, 89% experience permanent disability.

Public Housing Agencies nationwide have been successfully implementing the Housing Choice Voucher Homeownership Program for more than five years, with more than 5,000 homes purchased.

\$250 MILLION IN BONDS FOR ALASKA'S FIRST-TIME HOMEBUYERS

Nearly 1,500 first-time homebuyers are expected to benefit from lower interest rates through bonds approved by Alaska Housing Finance Corporation Board of Directors. In December 2005, they approved up to \$100 million in tax-exempt bonds, which were ultimately issued on January 26. With the success of that issuance, the Board on February 1 approved issuance of an additional \$150 million.

With these low-interest-rate bonds and a change in the method used to determine the daily interest rates for AHFC's Tax-Exempt First-Time Homebuyer Program, the interest rates for the program are now from 1/2 to 3/4 percent less than the conventional market. AHFC currently averages more than \$17 million in mortgages for first-time homebuyers each month.

CORDOVA SENIOR HOUSING GETS MAKEOVER

After several phases, more than \$3 million, and lots of teamwork, the interior and exterior renovation of the 26-year-old Sunset View in Cordova is now complete. A rededication was held on June 7. AHFC organized the interior renovation in three phases to minimize the temporary relocation of the tenants. The project involved upgrades to all 22 apartments, including replacement of floor and wall finishes, and kitchen and bathroom plumbing fixtures.

The Kodiak and Cordova projects featured in this report are among the projects in the final phase of AHFC's 10-year plan to upgrade all of the more than 1,700 units of rental housing AHFC owns statewide.



VETERANS MORTGAGE PROGRAM

Senator Lisa Murkowski and Representative Don Young co-sponsored the legislation, and Senator Ted Stevens had been a consistently strong supporter of amending the law to include post Vietnam-era vets.

The change to the VMP took effect May 30. Fauske recommends that veterans sign up for one of the free *HomeChoice* seminars offered by AHFC and work with their lender to determine loan prequalification. He noted that a veteran who qualifies for the VMP likely would also qualify for a VA Guaranteed Home Loan, making it possible to finance 100 percent of the value of the property.

Alaska is one of just five states nationwide able to offer this program to its veterans.

MACKAY BUILDING TO MCKINLEY TOWER

THROUGH AHFC LOAN, ONCE ABANDONED ANCHORAGE EYESORE TRANSFORMED TO PROVIDE SENIOR ASSISTED LIVING ON FOUR FLOORS OF THE TOWER.

CONTINUED FROM PAGE 1

REPORT TO ALASKANS

GET MORE INFO

MOST LOAN PROGRAMS:

RURAL LOANS:

HomeChoice SEMINARS: 907-330-8437 OR 800-459-2921 (OUTSIDE ANCHORAGE)
OR WWW.AHFC.US

GENERAL INFO:

907-338-6100 OR 800-478-4585 (OUTSIDE ANCHORAGE)
OR WWW.AHFC.US

RIC LIBRARY:

WWW.AHFC.US OR 907-330-8164
OR 800-478-4636 (OUTSIDE ANCHORAGE)



MISSION

AHFC'S MISSION IS TO PROVIDE ALASKANS ACCESS TO SAFE, QUALITY, AFFORDABLE HOUSING.

CREATED BY THE ALASKA STATE LEGISLATURE IN 1971, AHFC IS A SELF-SUPPORTING PUBLIC CORPORATION WITH OFFICES IN 16 COMMUNITIES STATEWIDE. WE PROVIDE STATEWIDE FINANCING FOR MULTI-FAMILY COMPLEXES, CONGREGATE FACILITIES, AND SINGLE-FAMILY HOMES, WITH SPECIAL LOANS FOR FIRST-TIME HOME BUYERS, LOW- AND MODERATE-INCOME BORROWERS, VETERANS, TEACHERS, NURSES, AND THOSE LIVING IN RURAL AREAS OF THE STATE. AHFC ALSO PROVIDES ENERGY AND WEATHERIZATION PROGRAMS, LOW-INCOME RENTAL ASSISTANCE IN 17 COMMUNITIES, AND SPECIAL PROGRAMS FOR THE HOMELESS AND THOSE SEEKING TO BECOME SELF-SUFFICIENT.

WWW.AHFC.US